

MANUFACTURERS, IMPORTERS
AND WHOLESALERS
DIVISION



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PLAINTIFF'S
EXHIBIT

CASE
NO. CV04-0360P

EXHIBIT
NO. 007

MANUFACTURERS, IMPORTERS AND WHOLESALERS DIVISION

PROCEDURES MANUAL

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MANUFACTURERS, IMPORTERS AND WHOLESALERS DIVISION

Chapter 3

INSPECTION OF LICENSED PREMISES

A. INTRODUCTION

1. Purpose. The objective of this chapter is to convey Board policy as it pertains to inspections of non-retail licensed premises and other premises by MIW enforcement officers.

2. Applicability. This chapter applies to MIW employees and especially enforcement officers involved with the inspection of licensed premises.

3. Scope. This chapter covers all inspection of licensed premises by MIW employees.

4. Authority. Title 66 RCW, especially 66.08.130, 66.08.140, 66.24.010, 66.28.090 and Chapter 314 WAC, especially 314-12-120.

5. Effective Date. This chapter becomes effective upon approval, signature and publication by the Board.

Inspection techniques cannot be rigid procedures. Situations will arise in different locations that are unique to that area alone. Officers should use good judgment that will dictate the appropriate course of action.

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B. PURPOSE OF AN INSPECTION.

1. Periodic inspections of licensed premises are one of the most effective means an officer has to carry out the Board's policy of preventative enforcement. By contacting licensees, managers and employees the officer may establish a working relationship with those persons to prevent violations and/or to see that violations are not repeated. Making business calls is the greatest inducement to willing, voluntary compliance with regulations.
2. Observation of what activities are taking place in a premises and the quality of control exercised by management enables the officer to correct undesirable situations.

C. PERSONAL CONTACT

Personal contact with the licensee is recommended with the primary objective being an inspection of the premises itself, and to:

1. Offer instruction - dissemination of necessary and helpful information to licensees and licensed agents in their employ (other employees also). Keeping sales personnel informed of statutes and regulations is a form of preventative enforcement.
2. Ascertain employee status - check on changes in management, agent licenses, new sales personnel.

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MANUFACTURERS, IMPORTERS AND WHOLESALERS DIVISION

Chapter 3

ENFORCEMENT PROCEDURES - INSPECTION OF LICENSED PREMISES

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3. Exchange ideas - discuss special problems relating to that particular distributor, wholesaler, importer, etc.
4. Advise of statute, administrative rule or policy changes and the interpretation of such changes.
5. Note changes in structure. Example: possible tap room, crowding of warehouse facilities causing the possibility of off-premise storage.
6. Note security of building.
7. Routinely review financial and other business records as a means of determining if there are any indications of questionable activities which would warrant further investigation.

Approved

4-29-86

Chairman

J. H. Pedersen

Member

A. J. Hansen

Member

R. J. Hansen

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STATE OF
WASHINGTON

Dixy Lee Ray
Governor

WASHINGTON STATE LIQUOR CONTROL BOARD

Olympia, Washington 98504

9/5/80

MANUFACTURERS, IMPORTERS AND WHOLESALERS DIVISION

Chapter 17

~~ADMINISTRATIVE PROCEDURES~~ - PRICE POSTINGS/FILINGS - WINE

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STATE OF
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Olympia, Washington 98504

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MANUFACTURERS, IMPORTERS AND WHOLESALERS DIVISION

Chapter 17

PRICE POSTINGS/FILINGS - WINE

A. INTRODUCTION

1. Purpose. This chapter identifies the kinds of wine price postings/filings required, and the relevant administrative procedures and policies.
2. Applicability. This chapter applies to all MIW employees associated with wine price posting procedure.
3. Scope. This chapter covers all wine price postings/filings.
4. Authority. RCW 66.28.010, .025, WAC 314-24-040, -190, -200, 314-12-140.
5. Effective Date. Upon approval and publication by the WSLCB.

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B. PRICE POSTINGS - GENERAL

Pursuant to the requirements of the statutes and administrative rules cited under "Authority," all licensed wine manufacturers, importers, wholesalers and out-of-state certificate of approval holders are required to file a complete schedule of selling prices for sales to authorized licensees within the state. These lists must include all brands, types and package sizes. These schedules and any included supplements must also contain all terms of sale, including discounts, allowances, etc., as prescribed by the applicable WAC.

All appropriate division personnel will work to actively administer the system of price postings to ensure that industry selling prices are in accord with legal requirements, all purchasers are treated equally, and that predatory pricing practices are not engaged in which could result in concentration of the industry. (This should not be construed as prohibiting legal price competition.)

The governing philosophy will be in accord with the concepts contained in RCW 66.28.010 and Chapter 19.90 RCW.

Pursuant to the terms of the regulations, no sales are to be made by licensees or certificate of approval holders within the state until all required postings, memoranda, etc., are on file with the Board and in effect. The postings must include all brands, types, and package sizes sold and the selling prices must be uniform to all licensees to whom sales are made.

C. PRICE POSTINGS/FILINGS - TYPES

1. Wine Suppliers' Price Filings. This type of filing is required for domestic wineries selling to wine wholesalers, out-of-state wine certificate of approval holders selling to wine importers, wine importers selling to wine wholesalers, and wine wholesalers selling to other wine wholesalers. Filings are made on State Form LIQ 98-34 (See Appendix A).
2. "Laid-In" Cost Filings on Foreign-Produced Wines. These filings are made by Washington licensed importers who hold a wine certificate of approval and import wine produced outside the U.S. Cost prices filed are to include all costs including: cost of acquisition, inbound freight costs, and all duties and taxes. These filings are used as a basis for reviewing the importers selling prices (filed as wine supplier and/or wine wholesaler) to determine whether the markup realized is adequate. Filings are made on State Form LIQ 98-34 (See Appendix A).
3. Wine Wholesale Price Filing. This schedule is filed by licensed wholesalers and reflects the prices at which wines are sold to retail licensees. Filings are made on State Form LIQ 609-34 (See Appendix B).

D. PROCEDURE

1. For the first two catagores of price postings mentioned under C (Wine Supplier's Price Schedules, "Laid-In" Cost Filings, the Data Services Assistant in charge of wine will:
 - a. Compare and review in depth the new postings to discover and note any:
 - (1) Price changes
 - (2) Item drops

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(3) New Items

(4) Package size changes, etc.

(5) Selling prices which appear to be a loss-leader or below cost as defined in Chapter 19.90 RCW.

(6) Other items or conditions of sale which are not in accord with WAC 314-24-200.

- b. Verify a valid wine certificate of label approval is on file for all items posted and that the seller is purchasing from an authorized source (if applicable).
- c. Contact the licensee (or designee) filing the posting to discuss any problem. This is pursuant to any exceptions noted under a. or b. above and is to determine whether an amendment must be made to the posting or if it can remain as filed. A note should be made of all relevant information and if the posting must be changed, the licensee must file a confirmation of the change.
- d. Refer any problems that cannot be adequately resolved in discussion with the licensee to the division supervisor.
- e. Note the final action on all postings and stamp each page approved or disapproved. The original copy is retained for the files (three years before being submitted to Archives) and a stamped copy mailed to the filing company.

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2. For the last price posting listed under section C (Delivered Wholesale Price Listings to Retail Licensees), the Data Services Assistant in charge of wine will:

f. If a licensee has more than one licensed winery location, the winery must
(1) post prices for each location or
(2) indicate on the posting if it's for more than one location, with the location's name, & city

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- a. Compare and review in depth the new postings to discover and note any:
- (1) Price changes
 - (2) Item drops
 - (3) New items
 - (4) Package size changes, etc.
- b. Check the source of supply and that the supplier has an approved letter of appointment on file.
- c. Compute the percentage of markup on all new items or price changes. The "laid-in" cost will be calculated by taking FOB cost, adding adequate factor for inbound freight costs, and including the appropriate wine gallonage tax to be paid. This cost will then be used for calculating the percent of markup on cost, which will be compared with the posted price to determine whether all markups realized are adequate and if any selling prices appear to be loss-leaders or below cost of doing business as defined in Chapter 19.90 RCW.
- d. Review entire posting to identify all terms or conditions of sale which are not in accord with WAC 314-24-190.
- e. Follow same procedure as in D.I.C., d, e.

f. *Wholesalers with more than one license*
Distribution: *location must* Approved _____
post separately for each location.

Chairman

Member

Member

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TX007_013

THESE WINES PURCHASED FROM

Type three copies, return original and one copy to this office (MILM Division) properly signed. Retain one copy for your files.

*It is absolutely imperative that the chemical number or code number assigned to each wine is listed in this column.

I hereby certify that every price listed on this posting is in compliance with the applicable provisions of Regulation (B) and Chapter 1990 Unfair Practices Act. That no such price is below legal "cost" except as otherwise provided in such Act.

Signed by

SIN

OFFICIAL OR COPY NO.	STAND NAME	TYPE	Alcohol Content
			90
			100 ML
			48
			137 ML
			34
			375 ML
			750 ML
			13
			13
			4
			1.1 L
			4
			3 L
			4 L

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Filed by _____

Date effective.

Date.

(Important)---Before completing this form see instructions on reverse side of this sheet.

SCHEDULE OF DELIVERED WINE WHOLESALSA PRICES TO RETAIL LICENSEES

WASHINGTON STATE POWER CONTROL BOARD—Olympic, Washington 98504

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Date Replaced _____